



Montreal Economic Institute



ANNUAL REPORT 2003

“The Montreal Economic Institute is not only fast becoming a force to be reckoned with in Quebec but far beyond its borders as well. The MEI brings a new dynamism and urgency to the all important debate on public policies”.

- Linda Whetstone, Chairman,
International Policy Network



The Montreal Economic Institute (MEI) is an independent, non-profit, non-partisan research and educational institute. The Institute attempts to further the understanding of economic issues among Canadians in general, and Francophone Quebecers in particular, by organizing conferences and publishing studies, and through the print and electronic media.

The MEI's mission is to propose original and innovative solutions for the crafting of efficient public policies, using successful reforms applied elsewhere as models. It receives no public funding.

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(on December 31, 2003)

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CHAIRMAN'S MESSAGE

Each week a great profusion of symposiums and conferences are held in Quebec, with eminent specialists presenting results of their research to colleagues who are every bit as competent as they are. For progress to occur, science no doubt needs these exchanges, but people in academic circles can sometimes be criticized for isolating themselves in ivory towers and avoiding dialogue with the general public.

The approach of the Montreal Economic Institute is exactly the opposite. Our role is to stir up debate across society on public policy issues, and we consider our work a success only when people from every milieu are challenged. The MEI would fail in its mission of economic education if it addressed only specialists and was content to conduct debates cut off from the world.

One way to evaluate the impact of our publications and conferences on the general public is to measure the number of times the MEI is mentioned in the media. This number keeps rising. It climbed 27% in 2003, reaching 788 mentions in newspapers and

electronic media. Each of these articles and reports reached thousands of Quebecers—sometimes tens of thousands or even hundreds of thousands. The number of Internet users consulting our Web site (www.iedm.org) was up 55% over the last year.

Another indication of the influence created by the Institute's activities is the liveliness of the discussions they provoke. Our researchers' studies aroused the passions of many pressure groups this past year. The Institute welcomes the opportunity to debate with them, as long as this takes place in a way that respects the diversity of opinion that a free, open and democratic society must encourage. This type of debate helps government take decisions based on the broadest possible information.

MEI friends and donors, as well as the many members of the public who share our concerns with Quebec's economic progress, can be assured that the reaction our activities cause shows they are hitting the mark. I urge them to consult this *Annual Report* to get an overview of our achievements in 2003. And I can guarantee them that our dynamic team, supported by an enthusiastic and committed board of directors, will continue to fulfil its mission with the same intellectual rigour and the same passion over the coming year.

The Institute is a non-partisan organization that receives no government subsidy, thereby ensuring its full independence. It counts on the support of numerous donors to carry out its task. I hope we can count on your contribution in 2004 or on your renewal if you are already a donor.

Adrien D. Pouliot
Chairman



Charest (whose words of praise for the Institute are reproduced further on in this *Annual Report*). Stephen Harper, the Leader of the Opposition in Ottawa, also joined us to present his vision of the Canadian challenge in a context of political effervescence on the federal scene.



From left to right, Jacques Ménard, President of BMO Financial Group Quebec, Jean Charest, Premier of Quebec and Michel Kelly-Gagnon.

PRESIDENT'S MESSAGE

The Montreal Economic Institute is just in its fifth year of operation. However, if we had to select a general theme to describe ourselves in 2003, it would be the extent to which the MEI has become an institution in Quebec's intellectual and media landscape—as if we had been active for decades!

This was made possible by the MEI's decision to focus right from the beginning on themes that are central to the lives of people in Quebec: health, education, the competitiveness of our economy and the reform of public services. We have also adhered closely to values that are essential to any venture whose success depends on credibility, namely intellectual rigour, professionalism and transparency.

Conferences

When it came to presenting views, this credibility enabled us to weigh in on the central event in Quebec's political life in 2003, the general election held on April 14. A few weeks before the campaign began, the MEI invited the leaders of the three main parties to explain their economic programs in luncheon speeches. Each event drew more than 200 people. Action démocratique leader Mario Dumont accepted our invitation, as did Liberal leader Jean

Six major conferences were organized by the Institute in 2003. Altogether, we welcomed more than 1,000 participants at these public events, double last year's total. In addition, our staff members and associate researchers took part in about a dozen other activities, ranging from presenting briefs at public hearings to debates and speeches before more specific audiences. About 700 people, mainly decision-makers, attended these events, while thousands more got wind of them through the resulting media coverage.



Mario Dumont, leader of the Action démocratique du Québec, addresses the audience.



Publications

The *Report Card on Quebec's Secondary Schools* came out in the autumn of 2003 for the fourth year in a row. This is the MEI's best known study, reaching a million readers a year through a special issue of *L'actualité* magazine. As in previous years, various interest groups opposed to parents' freedom of choice in their children's education tried unsuccessfully to discredit the *Report Card*. The proof of its usefulness lies in the enthusiastic reaction of the hundreds of thousands of parents who use it as an information tool. This year we made a special effort to reach media outside Montreal, leading to a 25% increase in the number of reports and articles devoted to the *Report Card*.



The November 2003 issue of the magazine *L'actualité* featuring the *Report Card on Quebec's Secondary Schools*.

The MEI released 11 other publications during the year, including two *Research Papers* (detailed studies of a few dozen pages in length) and seven *Economic Notes* (concise four-page studies providing overviews of an issue). Health care continued to loom among the most important topics. One *Note* described the Swedish model of using the private sector in the

provision of services, and another explained the legal context of the debate over reform of the health care system in Quebec and across Canada.

Reform of public services, a topic that has figured prominently in the news since the Quebec election, was also the subject of two studies, one on public-private partnerships and the other on public service user fees. The impact of our research on public policy in Quebec was illustrated very clearly. In its first budget, the new Liberal government ended the "cité" program, which subsidized the concentration of information technology firms in specific neighbourhoods. In 2002, the MEI had published a critical study that was quoted broadly, in particular by the premier and the opposition leader in a National Assembly debate.



Dr. Yvonne Chan's school in California was cited as an example by Bill and Hillary Clinton, George W. Bush, Al Gore, *Time Magazine* and a number of other politicians and media outlets.

I would like to emphasize the launch of a French translation by the MEI, in collaboration with Les Éditions Saint-Martin, of an international best-seller written by a young Swedish writer, Johan Norberg. *In Defence of Global Capitalism* (in French, *Plaidoyer pour la mondialisation capitaliste*) questions pre-conceived notions on this subject. An agreement with Plon, a prestigious Paris-based publisher, will lead to its distribution in French-speaking parts of Europe in early 2004.



The Quebec and European editions of the book *In defence of Global Capitalism* written by Johan Norberg and translated by the MEI.

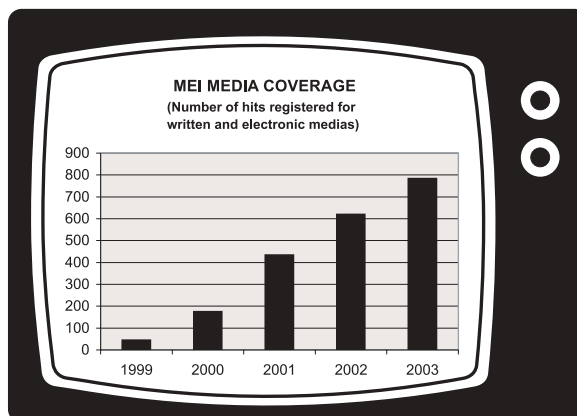
researchers were called upon regularly to comment on news items related to issues on which they worked. The Institute's publications have become reference works in several fields and are quoted frequently without our having to promote them.

The number of articles mentioning the MEI in newspapers, magazines and radio and TV reports rose 27% from 620 in 2002 to 788 in 2003, helping us reach millions of people in Quebec. What is involved here is not a popularity contest but rather the distribution of information by the most efficient means in developed societies, namely the mass media.

Media coverage and influence

It is worth recalling the extent to which the Montreal Economic Institute's reputation has spread beyond Quebec's boundaries. International think tank networks such as the Virginia-based Atlas Economic Research Foundation and the London- and Washington-based International Policy Network mention the MEI regularly as one of the best examples in the world of an institute that fulfils its mission exceptionally well. We also serve as an example in more tangible ways. In October, the MEI played host for a week to Cécile Philippe, a young Frenchwoman who has set up an institute similar to ours in Brussels and Paris and who came, thanks to a grant from Atlas, to seek inspiration from our operating methods.

The extraordinary growth of our media visibility, confirmed from one year to the next, continued in 2003. Dozens of columns and opinion pieces were published in the major Quebec newspapers that have opinion pages (*La Presse*, *The Gazette*, *Le Devoir*, *Le Soleil*, *Le Droit* and *Les Affaires*) as well as in the *National Post*. The Institute's internal and associate



Web site

Having a window on the Web is now an indispensable element in a product's marketing and distribution strategy. The MEI is no exception. All our studies, as well as videos and transcriptions of our public events, are available free of charge on our site (www.iedm.org). Thousands of Internet users in Quebec and around the world make use of our site. The number of unique visitors rose from 124,700 in 2002 to 191,956 in 2003, up 55%. As in previous years, traffic hit a peak in the days following publication of the *Report Card on Secondary Schools*.



Financial position

The MEI's financial position is excellent, and the resources enabling us to fulfil our mission continue to grow. Fundraising and other revenue sources (such as subscriptions, sales of publications and registration fees at public events) rose 9% in 2003 to reach \$825,198. Our expenses climbed 28% to \$751,307. This sizable increase was essentially due to the growth in resources devoted to our workforce (more employees and outside collaborators) as well as to publications and events—but not to administrative costs. For example, despite its strong financial position, the MEI continues to occupy extremely modest facilities on Saint-Hubert Plaza.

“Despite our rapid start, we ask all those who believe in our mission of economic education to join us for the long haul.”

In our early years of operation, we considered it important to accumulate financial reserves so that we could deal with economic downturns. Now that these reserves are high enough to ensure the Institute's long-term financial security, our policy is to move toward a balanced budget. This year's \$73,891 surplus represents only 9% of our revenues, compared to 22% last year, in accordance with this policy.

We continue, of course, to focus on building the Institute's intellectual strike force in the coming years, which we intend to do with the generous support of a continually growing number of donors and friends. These many sources of financing ensure the MEI's editorial independence. We receive no government financial aid. Our largest donor provided only 9% of our total budget in 2003, protecting the Institute from financial pressures.

A long-term vision

I would like to remind everyone interested in the Institute's activities of the major issues and fundamental principles that require our attention over a prolonged period, far beyond the daily headlines or the arguments that engage people's minds for a season or two. One of these is the key necessity, if we wish to ensure sustainable prosperity for everyone, to produce an environment well suited to wealth creation before we think about redistribution.

This is the long-term vision guiding the people who work at the Montreal Economic Institute. Public opinion, just like dominant notions in political, media and academic circles, does not change from one day to the next. More than a study is required to dispel myths that have been solidly anchored for many years. This requires sustained effort, steadfast determination and unwavering patience. Despite our rapid start, we ask all those who believe in our mission of economic education to join us for the long haul.

Michel Kelly-Gagnon
President



WHAT ARE THEY SAYING ABOUT US

"I want to tell you in person how much I support the Institute. [...] The Institute's existence, its creation, are absolutely essential for holding a real political debate in Quebec and inspiring new ideas. Ideas that will enable us to draw inspiration and provide ourselves with choices, real choices that we have in Quebec society."

Jean Charest
Leader of the Quebec Liberal Party,
during a luncheon on February 19, 2003

"The MEI is an increasingly powerful voice in reference to public policy in Quebec and Canada. That's because it has a marvellous habit of producing studies that tend to contradict hoary shibboleths, and turn sacred cows upside down."

Mark Weller
Publisher of *Montreal Business Magazine*,
September 2003

"The attacks on the [Report Card on Quebec's Secondary Schools] prove its significance and impact. It's not only an excellent tool for parents and students, but it also inspires pride in the architects and leaders of our public schools. (...) The ranking is of course not perfect, but it's the best that exists."

Jean-Paul Gagné
Publisher, *Les Affaires*
November 8, 2003

"...public administrators would do well to reflect seriously on the [Montreal Economic Institute] study on the housing crisis."

Claude Picher
Economic columnist, *La Presse*
June 5, 2003

"It's a nice surprise because I have a great deal of admiration for this quite unknown French economist. His writings are nearly 200 years old but as relevant as ever. By publishing this small collection of Mr. Bastiat's writings, the Montreal Economic Institute is doing Quebecers an immeasurable service."

Bernard Mooney
Columnist, *Les Affaires*
July 5, 2003



MEI'S CONFERENCES AND ACTIVITIES IN 2003

February 4 - Can the housing shortage be solved by encouraging access to ownership?

Presentation by Pierre Desrochers, MEI Research Director, at a public debate on the housing shortage held at Concordia University.

February 8 - Exploring public policies

Annual one-day student seminar held jointly by the MEI and the Fraser Institute.

February 19 - The Liberal Party action plan to raise living standards in Quebec

MEI luncheon speech with the Honourable Jean Charest, Leader of the Quebec Liberal Party.

March 5 - For a prosperous and responsible Quebec

MEI luncheon speech with Mario Dumont, Leader of the provincial *Action démocratique du Québec* party.

March 6 - Quebec's public policy options

Presentation by Pierre Desrochers, MEI Research Director, at a seminar held by McGill University's Department of Quebec Studies.

April 24 - The benefits of globalization

MEI luncheon speech with Johan Norberg, author of the book *Plaidoyer pour la mondialisation capitaliste (In Defense of Global Capitalism)*.

April 25 - The future of free-market ideas in Quebec

Presentation by MEI President Michel Kelly-Gagnon at the annual national conference of Civitas held in Toronto.

May 22 - The clash of ideas in research on schools

Presentation by Richard Marceau, MEI Associate Researcher, at the annual conference of the *Association francophone pour le savoir (ACFAS)* in Rimouski, Quebec.

June 2 - Evaluation of the rent-setting method used by Quebec's Housing Board

Presentation by Pierre Desrochers, MEI Research Director, at consultations held by Quebec's *Régie du logement*.

September 9 - The challenge: A national vision for a continental economy

MEI luncheon speech with Stephen Harper, MP, Leader of the Official Opposition.

September 16 - The role of the private sector in Quebec's health care system

Presentation by Dr. J. Edwin Coffey and Dr. Jacques Chaoulli, MEI associate researchers, during a debate held by the Young Presidents' Organization (YPO) and moderated by MEI President Michel Kelly-Gagnon.

October 9 - Adapting to a global economy with proper local policies

MEI luncheon speech with John Fund, member of the editorial board of *The Wall Street Journal*, held in collaboration with *Le Journal de Montréal*.

October 6 - La privatisation des services publics : plus d'efficacité ou moins de justice?

Debate opposing Paul Daniel Muller, Associate Researcher with the MEI, and Claudette Carbonneau, President of the CSN, at the Musée de la civilisation in Quebec City.

October 28 - Economic aspects of certain public policies concerning patented medicines

Submission of a brief to the House of Commons Standing Committee on Health as part of its study on prescription drugs.

November 27 - Article 45 of the Quebec Labour Code: A problem of interpretation

Presentation by Michel Desrosiers, MEI Associate Researcher, during public consultations held by the Quebec National Assembly on a bill to amend the Labour Code.

December 2 - Yes we can! School success in a disadvantaged neighbourhood

MEI luncheon speech with Dr. Yvonne Chan, Principal of Los Angeles' Vaughn Next Century Learning Center.

December 5 - Fiscal competition in Canada

Presentation by MEI President Michel Kelly-Gagnon, at a forum held by the group *Contribuables Associés* at the European Parliament in Strasbourg, France.



THE MEI'S PUBLICATIONS IN 2003

January - *Why We Need Freer Trade in Canada*

Updated edition of an *Economic Note* by Robert Knox, MEI Associate Researcher, on barriers to interprovincial trade and mobility.

February - *Le choix de l'école pour tous : un projet de bons d'étude adapté pour le Québec*

(*School Choice for All: A School Voucher Program Adapted to Quebec*). *Research paper* by Sylvain Bernier, MEI Associate Researcher, on the functioning and effects of a school voucher system as a mode of financing school institutions.

April - *Health Care Reforms: Just How Far Can We Go?*

Economic Note by Philippe Trudel and Bruce Johnston, health lawyers and MEI Associate Researchers, on the Quebec health care system's current legal framework and on possible reforms.

April - *Comment la recherche du profit améliore la qualité de l'environnement*

(*How the Search for Profit Helps the Environment*). *Research paper* by Pierre Desrochers, MEI Research Director, on environmental protection in market economies.

May - *Plaidoyer pour la mondialisation capitaliste*

(*In Defense of Global Capitalism*). French translation of a book by Swedish author Johan Norberg on the benefits of free trade and integration to global capitalism. The book was co-published by the MEI and Éditions Saint-Martin.

June - *Quelques mythes sur les causes de la crise du logement*

(*A Few Myths on the Causes of the Housing Shortage*). *Economic Note* by Pierre Desrochers, MEI Research Director, on the causes of the housing crisis in Quebec and recommendations to solve it.

July - *Le fardeau fiscal et réglementaire des Québécois*

(*Quebecers' Fiscal and Regulatory Burden*). *Economic Note* on the scale of taxation and regulation in Quebec.

September - *Des services publics plus efficaces grâce au partenariat public-privé*

(*More Efficient Public Services Through Public-Private Partnerships*). *Economic Note* by Paul Daniel Muller, MEI Associate Researcher, on various models of public-private partnerships and their advantages and disadvantages.

October - *Frédéric Bastiat, Defender of Sound Economics*

Collection of essays by Frédéric Bastiat, a 19th-century French economist, journalist, and politician. The MEI offered a copy of this booklet to all guests who attended the International Policy Network's awards dinner in New York for the *2003 Frédéric Bastiat Prize for Journalism*.

October - *Turning to the Private Sector in Health Care: The Swedish Example*

Economic Note on the Stockholm model for private sector involvement in health care provision.

November - *Report Card of Quebec's Secondary Schools, 2003 Edition*

Fourth edition of this annual study which measures and compares the performance of all high schools in Quebec. This study, published by *L'actualité* magazine, is produced jointly by the MEI and the Fraser Institute.

December - *The Pros and Cons of Public Service User Fees*

Economic Note by Paul Daniel Muller, MEI Associate Researcher, on the effects of establishing user fees as a mode of financing public services.